

Message Text

LIMITED OFFICIAL USE

PAGE 01 LA PAZ 05813 01 OF 02 231406Z

43

ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 COME-00 L-03 TRSE-00 AID-05

CIAE-00 INR-07 NSAE-00 JUSE-00 SS-15 NSC-05 SP-02

/055 W

----- 122307

R 231320Z JUL 76

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 1700

LIMITED OFFICIAL USE SECTION 1 OF 2 LA PAZ 5813

E.O. 11652: N/A

TAGS: EINV, US, BL

SUBJ: PROTEBOL COMMERCIAL PROBLEM

REF: STATE 165123

1. SUMMARY: DR AND MRS BUSONY VISITED LA PAZ JULY 20 AND DISCUSSED PROTEBOL'S PROBLEMS WITH EMBASSY OFFICERS AND PRESIDENT OF BANCO DEL ESTADO (BE), JORGE TAMAYO. TAMAYO AGREED TO POSTPONE AUCTION OF PROTEBOL'S ASSETS FOR 90 DAYS TO GIVE BUSONY AND US INVESTORS TIME TO PRESENT A PLAN FOR REHABILITATION OF PROTEBOL. TAMAYO REQUESTED A LETTER FROM PROTEBOL FORMALLY ASKING FOR THE 90-DAY EXTENSION. MRS BUSONY BECAME ILL IN LATE AFTERNOON AND THE COUPLE SUDDENLY DEPARTED FOR US EVENING OF JULY 20 BEFORE DR BUSONY HAD TIME TO RETAIN LEGAL COUNSEL OR TO TAKE ANY OTHER STEPS TOWARD PLANNING FOR PROTEBOL'S REHABILITATION. END SUMMARY.

2. DR LOUIS BUSONY AND MRS BUSONY VISITED EMBASSY JULY 20 AFTER SPENDING SEVERAL DAYS IN COCHABAMBA WHERE THEY DISCUSSED PROTEBOL'S SITUATION WITH FORMER PROTEBOL MANAGER ORLYN RILEY. ACCORDING TO BUSONY, RILEY RESIGNED AS MANAGER IN MARCH AND HAS TAKEN A POSITION WITH A COCHABAMBA FIRM CALLED SOQUIFO, WHICH IS PLANNING TO MANUFACTURE CHARCOAL. HOWEVER, RILEY'S ATTEMPT TO RESIGN AS PRESIDENT OF PROTEBOL WAS REJECTED BY PROTEBOL'S BOARD OF DIRECTORS SO RILEY FORMALLY RETAINS THAT POSITION. ANOTHER MANAGER WILLY

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LA PAZ 05813 01 OF 02 231406Z

FLORES MEDINA WAS HIRED IN APRIL BY DR BUSONY WAS UNABLE TO

CONTACT HIM IN COCHABAMBA. THE PLANT IS LOCKED AND BANCO DE ESTADO (BE) HAS THE KEY.

3. BUSONY MADE A PRESENTATION TO POL/ECOM COUNSELOR AND TO USAID OFFICIALS IN WHICH HE CLAIMED TO SEE SIGNS OF A CONSPIRACY BY PERSONU, SOME OF WHOM MIGHT BE WITHIN BE, TO DRIVE PROTEBOL INTO BANKRUPTCY. HE CITED PROTEBOL'S DIFFICULTY IN OBTAINING LETTERS OF CREDIT FOR PURCHASE OF MATERIALS AND GETTING MATERIALS THROUGH CUSTOMS IN THE PERIOD AFTER SEPTEMBER, 1975, WHEN THE BE GRANTED A \$248,000 REFINANCING LOAN TO PROTEBOL (PROTEBOL'S ORIGINAL LOAN FROM BE IN AUGUST, 1972, WAS THE EQUIVALENT OF ABOUT \$192,000 AT THE PRE-OCTOBER, 1972, DEVALUATION EXCHANGE RATE. MOST OF THE \$248,000 WENT TO REPAY THE PREVIOUS CREDITORS, INCLUDING BE'S ORIGINAL LOAN. \$60,000 WAS TO BE USED FOR WORKING CAPITAL AND TO PURCHASE MATERIALS.

4. BUSONY SAID THAT HE HAD SPOKEN WITH THE GENERAL MANAGER (NOT RILEY) OF SOQUIFO WHO HAD TOLD HIM OPENLY OF SOQUIFO'S PLAN TO PICK UP PROTEBOL AT AUCTION. ACCORDING TO BUSONY, SOQUIFO BELIEVED THERE WOULD BE NO BIDDERS AT THE FIRST TWO OFFERINGS OF THE PLANT AND AT THE THIRD BIDDING SOQUIFO COULD PURCHASE PROTEBOL FOR \$180,000. THE PAYMENT ARRANGEMENT WOULD BE FOR SOQUIFO TO PAY A \$17,000 INTEREST PAYMENT CURRENTLY DUE BE AND THEN TO ASSUME THE NORMAL PAYMENTS TO BE. IN OTHER WORDS, SAID BUSONY, SOQUIFO WOULD PICK UP PROTEBOL, WHICH HE CLAIMED HAS ASSETS OF APPROXIMATELY \$500,000, FOR AN INITIAL \$17,000 CAPITAL OUTLAY.

5. BUSONY SAID HE DISCUSSED WITH SOQUIFO'S MANAGER AND WITH ANOTHER COMPANY, COLOI, WHICH MANUFACTURES BICYCLE FRAMES, THE POSSIBILITY OF THOSE TWO COMPANIES ENTERING INTO A PARTNERSHIP WITH PROTEBOL'S PRESENT OWNERS AND PROVIDING THE CAPITAL TO COVER THE \$17,000 INTEREST PAYMENT AND WORKING CAPITAL TO GET PROTEBOL OPERATING. BUSONY THOUGHT UNDER THIS ARRANGEMENT ORLYN RILEY WOULD RETURN TO BE TECHNICAL MANAGER OF PROTEBOL. BUSONY SAYS SOQUIFO'S MANAGER REJECTED THE IDEA OF A PARTNERSHIP BECAUSE SOQUIFO COULD PICK UP THE COMPANY AT AUCTION. FURTHERMORE, HE TOLD BUSONY ANY EFFORT TO REHABILITATE PROTEBOL UNDER ITS PRESENT OWNERSHIP WAS BOUND TO FAIL.

6. POL/ECOM COUNSELOR THEN ACCOMPANIED DR BUSONY ON A VISIT WITH LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LA PAZ 05813 01 OF 02 231406Z

BE PRESIDENT JORGE TAMAYO. BUSONY BASICALLY REPEATED THE STORY TO TAMAYO, EMPHASIZING THE DIFFICULTIES PROTEBOL HAD EXPERIENCED WHICH HAD PREVENTED IT FROM EVER PRODUCING A SINGLE BICYCLE TIRE SINCE THE ORIGINAL BE LOAN IN 1972 AND THE UNFAIRNESS OF THE BANK'S ACTION IN FORECLOSING ONLY NINE MONTHS AFTER THE SEPTEMBER, 1975, REFINANCING LOAN AND HE ASKED WHY BE HAD TO TAKE SUCH ACTION. TAMAYO RESPONDED THAT THE FUNDS FOR THE REFINANCING CAME FROM USAID'S LOAN TO THE CENTRAL BANK (FRI) AND THE TERMS OF THE

RELENDING FROM THE CENTRAL BANK TO BE REQUIRE THAT ANY FAILURE TO MEET ANY ONE OF THE LOAN PROVISIONS (I.E., IN THIS CASE, THE INTEREST PAYMENT) REQUIRED FORECLOSURE ON THE ENTIRE AMOUNT OF THE LOAN. HE ADDED THAT NO ONE IN PROTEBOL HAD ADVISED THE BANK IN ADVANCE OF PROBABLY FAILURE TO MEET THE INTEREST PAYMENT OR THE BANK MIGHT HAVE HAD TIME TO CONSIDER AN EXTENSION.

7. TAMAYO SAID THAT, NEVERTHELESS, BE HAD NO INTEREST IN CAUSING ANY HARM TO PROTEBOL OR ITS INVESTORS AND HE SAID THAT IF PROTEBOL COULD PROVIDE A PLAN FOR REHABILITATION OF THE COMPANY, WHICH PERHAPS MIGHT INCLUDE ADDITIONAL FINANCING AND MANAGEMENT RESTRUCTURING, THEN BE WOULD POSTPONE ITS INTENTION TO AUCTION PROTEBOL'S ASSETS. DR BUSONY ASKED HOW MUCH TIME THE BANK WOULD ALLOW AND MR TAMAYO ASKED HOW MUCH TIME PROTEBOL NEEDED. DR BUSONY REPLIED "90 DAYS." MR TAMAYO THEREUPON AGREED TO POSTPONE-MENT FOR 90 DAYS TO GIVE PROTEBOL TIME TO PRESENT A PLAN. HE ASKED DR BUSONY TO PRESENT THE REQUEST FOR A 90-DAY POSTPONEMENT IN WRITING.

8. DURING THE DISCUSSION THERE WAS SOME BACK AND FORTH BETWEEN BUSONY AND TAMAYO REGARDING WHO WAS AT FAULT FOR PROTEBOL'S INABILITY TO GET INTO OPERATION. MR TAMAYO DID NOT ACKNOWLEDGE THAT BANCO DEL ESTADO HAD ANY RESPONSIBILITY FOR PROTEBOL'S DIFFICULTIES FOLLOWING THE SEPTEMBER, 1975, \$248,000 REFINANCING LOAN. MR TAMAYO DID SAY THAT THE PROTEBOL STOCKHOLDERS WOULD BE LIABLE FOR ANY DIFFERENCE BETWEEN THE OUTSTANDING DEBT TO BE AND THE AUCTION PRICE OF PROTEBOL ASSETS.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 LA PAZ 05813 02 OF 02 231417Z

43

ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 COME-00 L-03 TRSE-00 AID-05

CIAE-00 INR-07 NSAE-00 JUSE-00 SS-15 NSC-05 SP-02

/055 W

----- 122460

R 231320Z JUL 76

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 1701

LIMITED OFFICIAL USE SECTION 2 OF 2 LA PAZ 5813

9. ALSO DURING THE CONVERSATION (AND PRIVATELY TO POL/ECOM COUNSELOR), BUSONY EXPRESSED CONSIDERABLE CONCERN ABOUT THE WELFARE OF MR RILEY. HE SAID BECAUSE PROTEBOL HAS BEEN CLOSED, SOME OF ITS CREDITORS ARE SUING RILEY PERSONALLY. HE ALSO SAID THAT OF THE \$60,000 WORKING CAPITAL FROM THE REFINANCING, \$10,000 IS STILL BEING HELD BY BE (THE REMAINDER IS TIED UP IN MATERIALS AT PROTEBOL'S SITE OR IN CUSTOMS). BUSONY ASKED WHETHER BE COULD RELEASE THE FUNDS TO COVER THE CREDITORS SUING RILEY. TAMAYO RESPONDED THAT IT WOULD HAVE TO BE DEMONSTRATED THAT THIS WOULD NOT BE A MISUSE OF FUNDS AND HE SUGGESTED THAT PROTEBOL PUT THIS IN ITS LETTER TO BE.

10. DR BUSONY SUGGESTED TO MR TAMAYO THAT ONE FEASIBLE WAY TO REHABILITATE PROTEBOL WOULD BE A MERGER OR A PARTNERSHIP WITH SOQUIFO AND COLOI. HE EXPLAINED TO TAMAYO SOQUIFO'S REFUSAL TO CONSIDER SUCH A MERGER BECAUSE OF THE "CONSPIRACY" TO PICK UP PROTEBOL AT AUCTION. BUSONY SUGGESTED, NEVERTHELESS, THAT PERHPAS HE COULS STILL PERSUEADE SOQUIFO TO ENTER A PARTNERSHIP IF SOQUIFO BELIEVED IT COULD NOT OBTAIN PROTEBOL THROUGH AN AUCTION. MR TAMAYO SUGGESTED THAT DR BUSONY INFORM SOQUIFO'S MANAGER THAT BE WAS POSTPONING THE AUCTION FOR 90 DAYS AND THAT SOQUIFO'S MANAGER COULD CONFIRM THIS DIRECTLY WITH TAMAYO.

11. RETURNING FROM BE, MRS BUSONY, WHO SUFFERS FROM HIGH BLOOD PRESSURE, BECAME ILL. THE EMBASSY MEDICAL UNIT GAVE EMERGENCY LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LA PAZ 05813 02 OF 02 231417Z

ASSISTANCE AND SHE WAS TAKEN TO A DOCTOR. IT WAS DETERMINED THAT IT WAS DESIRABLE FOR HER TO DEPART LA PAZ. THE EMBASSY WAS ABLE TO OBTAIN RESERVATIONS ON THE BRANIFF EVENING FLIGHT TO LIMA WITH CONNECTIONS TO LOS ANGELES. ALTHOUGHT IT WAS SUGGESTED TO DR BUSONY THAT THE RETAIN LEGAL COUNSEL, AND THE EMBASSY LIST OF LAWYERS WAS PROVIDED HIM, HE DID NOT HAVE TIME TO EXPLORE THIS POSSIBILITY PRIOR TO HIS DEPARTURE, NOR DID HE HAVE TIME TO DUSCUSS FURTHER WITH SOQUIFO'S MANAGER A POSSIBLE MERGER ARRANGEMENT OR SEND A LETTER TO BE REQUESTING THE 90-DAY DELAY.

12. EMBASSY COMMENT: IN THE EMBASSY'S OPINION, PROTEBOL'S US INVESTORS ARE IN A VERY DIFFICULT POSITION AND THE WHOLE MATTER HAS BEEN LEFT DANGLING BY BUSONY'S SUDDEN DEPARTURE BEFORE HE HAD TIME TO COME TO GRIPS WITH WHETHER THERE IS ANY VIABLE MEANS OF GETTING PROTEBOL INTO OPERATION. SINCE THE ORIGINAL AUGUST, 1972, BE LOAN, PROTEBOL HAS NEVER PRODUCED A SINGLE BICYCLE TIRE, ALTHOUGH THE BUIDLING AND THE MACHINERY ARE IN PLACE. POL/ECOM COUNSELOR AND COMMERCIAL ATTACHE VISITED THE SITE AND TALKED TO MR RILEY IN FEBRUARY, 1976. RILEY HAD A LONG LIST OF REASONS WHY HE HAD BEEN UANBLE TO GET INTO PROCUTION, MOSTLY INVOLVING THE DIFFICULTIES OF BRINGING MATERIALS INTO BOLIVIA. IN DISCUSSING

WITH BUSONY WHY PROTEBOL HAD FAILED TO GET INTO OPERATION AFTER THE SEPTEMBER, 1975, REFINANCING, BUSONY SAID THAT ORLYN RILEY HAD REQUESTED TO RESIGN FROM PROETBOL BEFORE REPEAT BEFORE THE SEPTEMBER 1975 REFINANCING BECAUSE OF HIS INTERESTS IN MANUFACTURING CHARCOAL AND THAT THEREFORE HE MAY NOT HAVE GIVEN HIS FULL ATTENTION TO THE PROBLEMS OF PROTEBOL IN THE PERIOD THROUGH MARCH, 1976, WHEN HE ACTUALLY DEPARTED. THE SUBSEQUENT MANAGER (WHEREABOUTS UNKNOWN) WAS NAMED BY RILEY. THE EMBASSY IS NOT IN A POSITION TO EVALUATE THE FACTS IN THE PROTEBOL COMMERCIAL PROBLEM. HOWEVER, BUSONY'S STATEMENT THAT RILEY NOW WORKS FOR A FIRM WHICH INTENDS TO PURCHASE PROTEBOL AT AUCTION FOR A \$17,000 CAPITAL OUTLAY IS CERTAINLY SOME COMMENTARY ON PROTEBOL'S FORMER MANAGEMENT.

13. BEFORE DEPARTING AT THE AIRPORT DR BUSONY, WHO IS A KINDLY GENTELMAN, CALLED POL/ECOM COUNSELOR TO THANK HIM FOR EMBASSY ASSISTANCE AND SAID THAT DESPITE THE VERY DISCOURAGING SITUATION OF PROTEBOL, HE INTENDS TO USE THE 90 DAYS BE SAID IT WOULD GRANT TO EXPLORE WAYS OF REHABILITATING PROTEBOL. WE THINK THIS WILL BE A VERY DIFFICULT UNDERTAKING UNLESS THE US INVESTORS SEND LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LA PAZ 05813 02 OF 02 231417Z

SOMEONE TO BOLIVIA WILLING TO TAKE THE TIME REQUIRED TO SEEK A VIABLE SOLUTION, ASSUMING THERE IS ONE.

14. ACTION REQUESTED: MR TAMAYO HAS SINCE CONFIRMED TO POL/ECON COUNSELOR

FACT THAT IF SOQUIFO IS PREPARED TO WAIT THREE WEEKS FOR PROTEBOL'S LETTER REQUESTING A 90-DAY DELAY AND THAT, IN THE MEANTIME, THE BANK WILL SUSPEND ALL ACTION WITH REGARD TO AUCTIONING PROTEBOL' ASSET. DEPRTMNT IS REQUESTED TO ADVISE DR BUSONY OF THIS.

15. FINAL COMMENT: THIS CASE IS NOT A POTENTIAL INVESTMENT DISPUTE, NOR A BILATERAL PROBLEM BETWEEN THE US AND BOLIVIAN GOVERNMENTS.
STEDMAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN INVESTMENT, BUSINESSMEN, TRADE COMPLAINTS, NEGOTIATIONS, VISITS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LAPAZ05813
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760284-0365
From: LA PAZ
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760729/aaaaayvx.tel
Line Count: 265
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 165123
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 08 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 JUL 2004 by ellisoob>; APPROVED <25 OCT 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROTEBOL COMMERCIAL PROBLEM
TAGS: EINV, BTRA, US, BL, PROTEBOL, (BUSONY, LOUIS)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006